



NEWS RELEASE

United States Senate Committee on Small Business *Olympia J. Snowe, Chair*

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Snowe: Energy Department Contractors Overstate Small Business Contracts

Senator Olympia J. Snowe (R-Maine), Chair of the Senate Committee on Small Business and Entrepreneurship, today released a Government Accountability Office report that found widespread overstatements by the Department of Energy's large prime contractors.

"The GAO report, which I requested, demonstrates how subcontracting opportunities for small business owners are overstated at the Energy Department," said Sen. Snowe.

"The combination of misleading reporting by large contractors and lax oversight by Energy Department officials is unacceptable," continued Sen. Snowe. "The integrity of the subcontracting process must be restored immediately."

"The Energy Department has failed to follow common-sense recommendations to accurately report its small business subcontracting," stated Sen. Snowe. "As a consequence, Congress and America's small business owners have little assurance that the Department complies with the Small Business Act."

"I look forward to working with Energy Department officials to correct this problem and ensure that the interests of small business owners are protected," said Sen. Snowe.

Snowe noted the Energy Department is the largest civilian contracting agency in the Federal government. Of \$22.4 billion in contracts awarded by the Department in fiscal year 2004, \$18.9 billion was provided to 34 large prime contractors.

The GAO found that 13 inspected large contractors overstated their subcontracting achievement data in violation of the Small Business Administration's regulatory guidance. Twelve of the 13 inspected large contractors reported meeting or

exceeding their subcontracting goals. Yet only 4 have done so. The other contractors fell short of their goals by as much as \$31.1 million.

The GAO also found that the remaining 21 large contractors employed accounting practices which “almost always result in overstating actual achievements,” and that “none of the 34 facility management contractors fully complied” with the SBA reporting guidelines. For example, large contractors regularly excluded certain subcontracts from the “subcontracting base,” and then reported small business subcontracting achievements as a percentage of the “base.”

The GAO noted that the Department was aware of problems with the reported data from large contractors, but failed to take the required corrective action. In numerous instances the DOE approved inaccurate reporting practices. In fact, one large contractor that *reduced* its small business subcontracting dollars received the Department’s Secretarial Small Business Award.

"The Energy Department admitted that large contractors often artificially reduced the ‘subcontracting base’ by using the rules for reporting of small business prime contracts. In reality, small businesses owners were awarded only subcontracts and were treated only as subcontractors,” said Sen. Snowe.

The GAO recommended that the Energy Department improve its management by requiring large contractors to comply with the SBA reporting guidelines and also to require reporting of small business subcontracts as a percentage of the total dollars obligated on each large prime contract.

The GAO subcontracting report is available on the GAO’s website at:
<<http://www.gao.gov/new.items/d05459.pdf>>.

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